

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

Case Title:

Ferguson Enterprises Inc.

Reporting Office:

Detroit, MI, Resident Office

Subject of Report:

Interview of (b)(6), (b)(7) Policy Advisor to Detroit City Councilman (b)(6), (b)(7),

Activity Date:

August 18, 2010

Reporting Official and Date:

(b)(6), (b)(6), (b)(7) RAC

02-SEP-2010, Signed by: (b)(6), (b)(6), RAC

Approving Official and Date:

(b)(6), (b)(7)(C), SAC

03-SEP-2010, Approved (b)(6), (b)(6), SAC

SYNOPSIS

08/18/2010 - U.S. EPA CID Special Agent (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7) Policy Advisor to (b)(6), (b)(7) Detroit City Council member regarding an investigation (b) conducted into the contract evaluation process employed for Detroit Water & Sewerage Department (DWSD) contracts known as CM 2014 and CM 2015.

DETAILS

On August 18, 2010, U.S. EPA CID Special Agent (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7) Policy Advisor to (b)(6), (b)(7) Detroit City Council member regarding an investigation (b) conducted into the contract evaluation process employed for Detroit Water & Sewerage Department (DWSD) contracts known as CM 2014 and CM 2015. Also present during the interview was Mark Chutkow, Assistant, U.S. Attorney and (b)(6), (b)(7) Deputy Corporate Counsel, Detroit Law Department. After being informed of the identity of the interviewing agent and the purpose of the interview, (b) provided the following information:

(b) can be contacted at 313-224-1249. (b) explained that (b) did not have (b) records of (b) investigation with (b) so (b) was limited in what (b) could explain but would do (b) best. (b) explained that (b) documented (b) investigative findings in a memo sent to (b)(6), (b)(6), and (b)(6), (b) who were both members of the (b)(6), mayoral administration. When (b) became the interim mayor, (b)(6), received complaints from contractors regarding the scoring of contracts for the DWSD, allegations of the manipulation of bids, and an unusual number of change orders for certain bidders. (b) made a presentation to the Executive Procurement Policy Integration Committee which consisted of members (b)(6), (b)(7)(C), Chief Procurement Officer for the City of Detroit, (b)(6), (b)(7)(C), (b)(6), (b)(7)(C) of Blue Cross Blue Shield, and (b)(6), (b)(7) of the Detroit Law Department, (b)(6), (b) of Wayne State University which was a part of the Michigan Municipal League.

In general (b) found that in the awarding of contracts CM 2014 and CM 2015 that there was a divergence in the methodology used to evaluate the costs of the bids. The DWSD used an average cost which resulted in the bidder with the bid closest to the mean being awarded the contract. (b) met with (b)(6), (b)(6), (b)(7) of the DWSD to convey (b) findings and concerns. This meeting was documented in (b)(6), investigative memo send to (b)(6),. When (b) questioned (b)(6), on why the average cost method was used on these contracts (b) gave answers which were inconsistent with the bid documents.

From (b)(6), review of the bid documents it was clear to (b) that the Superior Engineering/DLZ

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team was going to win one of the contracts when the initial scoring was completed. (b)(6), instead implemented the average cost method which was inconsistent with city procurement policy. In November of 2008 (b)(6), (b) (7) to (b) that (b)(6), ordered (b) to use the average cost method.

(b) agreed to continue the interview at a later date once (b) was able to retrieve the documents pertaining to (b) investigation. (b) explained that the documents were in a storage location after (b)(6), asked (b) to take the records home with (b) over concerns that then Council member (b)(6), (b) (7)(C) had access to the other Council members offices.

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